State of California

Department of Finance

Introduction to Information Technology

Project Reporting

Preparation Instructions

September 2002

INTRODUCTION TO

INFORMATION TECHNOLOGY PROJECT REPORTING

Overview

The following set of instructions have been prepared to assist State of California departments in meeting the Department Finance (Finance) requirements for the various set of documents used to (1) initially justify information technology (IT) projects, (2) justify changes to projects under development, and (3) conclude project reporting following project implementation.

The requirements for all aspects of IT project reporting are described in policy statements contained in the State Administrative Manual (SAM) Section 4800.

The requirements for initially justifying projects through the Feasibility Study Report (FSR), including the circumstances in which FSRs must be approved by the Finance, are described in policy statements contained in State Administrative Manual (SAM) Sections 4920 through 4942.

The FSR provides a basis for understanding and agreement among project management, program management, and executive management, as well as state-level control agencies. The FSR provides a summary of the results of the feasibility study and, as such, should be prepared at a level of detail commensurate with the scope and complexity of the proposed technical solution. Sufficient technical detail should be included in the FSR to demonstrate that the proposed solution to the business problem or opportunity is workable and realistic. Departments are required to complete all sections and subsections of the FSR, including the Information Technology Project Summary Package.

Investment Analysis

Finance approval of IT projects will be based on an evaluation of overall costs, benefits, competing statewide needs, and investment risks to the State over the life of the IT proposal. To determine whether these investments should be approved, Finance will:

1) evaluate each FSR, any related budget request, and any supporting documentation, to determine the proposal's consistency with the State's IT policies and standards;
2) evaluate the FSR, any related budget request, and any supporting documentation, for business and fiscal factors that establish the merits of the proposed investment; and
3) consider the department's assessment of the potential business risks that impact the expected benefits to be derived from the proposed IT expenditures.

In order for Finance to evaluate the business and fiscal factors associated with the proposed IT project, departments must provide sufficient information in the FSR and any necessary supporting documentation. The documentation provided must enable Finance to understand and concur with the relative need for, cost of, and benefits to be derived from the proposed IT investment. Specifically, the information must establish that the organization has a solid **business case** for, and will receive meaningful **business value** from the proposed IT expenditure.

In an environment of competing needs, an acceptable business case is a compelling justification for the expenditure of public resources on IT to address a department's business needs. The business case is centered on (1) business problems that substantially and adversely impact operations and/or the delivery of services, (2) business opportunities that may substantially improve operations and/or the delivery of services, (3) revenue generation, or (4) a legislative mandate.

Acceptable business value is substantial and sustainable increases in *operational efficiency* (ability to produce desired effect with minimum expenditure of time, effort, personnel, or money as manifested in cost savings and/or cost avoidances) and/or *service effectiveness* (type, quantity, or quality of services delivered in response to, and aligned with, statutory and policy requirements).

Information Technology Reporting Requirements

Finance requires specific information from departments to carry out its responsibilities in approving the expenditures and funding for information technology (IT) activities, initiatives, or projects (hereinafter referred to as "proposals"). In order to evaluate a department's proposed expenditures for IT proposals, Finance needs to fully understand the business/investment justification for the proposal. Each proposal must provide sufficient detail to describe the underlying assumptions, objectives, alternatives considered, proposed solution, plan to accomplish the proposed solution, impact on program service delivery, programmatic and financial benefits to be achieved, and all costs associated with the proposal, including the methods of calculation and sources of data for all fiscal data used. These proposals are typically documented in FSRs and Special Project Reports (SPRs).

Departments must provide a comprehensive written proposal and not rely on responding to Finance staff's questions to provide needed justification for the proposal. Proposals that are incomplete by virtue of failing to provide relevant information in written form may be returned to the department without consideration at the discretion of Finance.

Departments submitting IT proposals that meet one or more of the Finance reporting criteria must follow the documentation requirements defined in the State Administrative Manual (SAM) and the State Information Management Manual (SIMM) Sections 20 and 30. Each department is responsible for ensuring its IT proposals meet Finance requirements. At its discretion, the Finance may request additional information from the department.

Information Technology Proposal Transmittal Requirements

All IT proposals **must be:**

1)   Approved and transmitted under the signatures of the:
   - Department's Chief Information Officer,
   - Department's Director or designee,
   - Department's Budget Officer, and
   - Agency Secretary, if the department reports to an Agency Secretary.

   The "Information Technology Project Request Executive Approval Transmittal" will be used to satisfy this transmittal requirement.

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2)   Submitted in duplicate to Finance.

3)   Submitted to the Office of the Legislative Analyst (one copy).

New Information Technology Investments

Each proposal that meets the Finance reporting criteria to undertake a new IT investment must be reported to Finance using the FSR. The FSRs for reportable projects must be submitted to Finance for its review. Finance will issue its decision on the proposal in writing to the department.

Finance will review each FSR placing emphasis on the following elements of the proposal:

1) the description of the departmental program(s), program objectives and current business processes to be impacted by the IT proposal;
2) the description of the business problem or opportunity prompting this request;
3) the description of the measurable business objectives which must be met to solve the problem or realize the opportunity;
4) the description of the business functional requirements that must be met with any proposed solution;
5) a narrative or tabular display showing which business objectives address the identified business need and which business functions address each identified business objective (traceability matrix);
6) the description of the expected quantified programmatic and financial benefits (revenue generation, savings, and cost avoidances) to be achieved by meeting the business objectives;
7) the analysis of the existing system(s) and all *feasible* alternatives identifying to what extent the problems will be resolved, opportunities will be realized, program and financial benefits will be achieved, and other factors considered in the analysis and selection;
8) the description of the assumptions used and the expected functionality associated with each alternative that explains how the stated benefits and objectives will be achieved;
9) the description of the selected solution, and the business process after implementation of the solution, including the analytical basis as to why the selected solution best meets the problem/opportunity and the associated assumptions/constraints;
10) the description of the proposed project evaluation methodology for measuring pre and post project conditions in evaluating and measuring achievement of the project objectives and benefits;
11) the description of proposed procurement and implementation strategies;
12) the detailed description of the current cost of any existing system that the proposal will be replacing or modifying in support of the programmatic function;
13) the detailed description of the proposed costs, financial benefits, and funding by fiscal year for each year of the project;
14) the identification of proposed funding sources by fund type (e.g. General Fund, federal funds, special funds) and proposed funding mechanism by augmentation or redirection, identifying the source for any redirections; and
15) the project schedule with identification of phases and major milestones for implementation activities, project completion, realization of benefits, decommissioning any displaced systems, and completion/submission of the Post Implementation Evaluation Report.

Business-Based Procurement IT Proposals

For those proposals that initially recommend a business-based procurement and the proposed technical solution is not determined in the FSR, the department must submit a SPR to Finance for review and approval prior to contract award. Conditions for proceeding with the procurement process and for initiating any other project activities will be fully outlined in the FSR approval letter. The FSR will be focused on (1) the various alternatives considered to derive the conclusion that a business-based procurement is the best solution; (2) a project cost and schedule that details the planning and procurement resources, milestones, and timelines; and (3) provides a more general estimate of the development, implementation, and maintenance/operations resources, costs, milestones, and timelines for the expected duration of the project. The SPR will be focused on the proposed solution selected following the procurement process, updated project cost and schedule estimates, and any other changes to the project.

Evaluation Planning

Finance will require submission of a Project Evaluation Plan after project approval and prior to project start-up for certain specified projects. The need for a Project Evaluation Plan will be identified to the department in Finance's written approval of the IT project. The purpose of the plan is to ensure that the anticipated project benefits can be confirmed and realized as a result of completing the project proposal. Finance will issue its comments/approval of the plan in writing to the department. The plan must contain the following elements:

1) the identification of specific project objectives and benefits to be achieved by the project;
2) the methodology and schedule for measuring the current business and IT areas that are being addressed by the new IT proposal to establish the pre-project measurements;
3) the methodology and schedule for measuring the business areas that after project implementation will quantify the degree the business objectives and benefits have been achieved;
4) a discussion on how conditions/factors external to the project that may also impact the business area measurements will be handled in order to gather valid and comparable pre- and post-project measurements of business objectives and benefits; and
5) the methodology and schedule for preparation of the Post Implementation Evaluation Report.

Approved Efforts Still Under Development – Special Project Reports

The requirements for justifying changes to projects through Special Project Reports (SPR) including the circumstances in which SPRs must be approved by the Finance, are described in policy statements contained in State Administrative Manual (SAM) Sections 4920 through 4945.2.

A proposal modification must be submitted for an approved IT project still under development if either of the following occurs:

1) there is a change, or the department anticipates a change, to a previously reported project in which the project costs, benefits, or schedule change by ten percent or more, or another amount determined by Finance, or the project's scope or methodology changes; or

2) a project not previously subject to reporting now meets one of the following reporting criteria:

- a Finance budget action is required to fund all or part of the IT expenditure;
- the new system development or acquisition is specifically required by legislative mandate or is subject to specific legislative review, as specified in Budget Act control language or other legislation;
- the project involves the acquisition of any microcomputer commodities and the agency does not have an approved Workgroup Computing Policy;
- the total development cost is above the cost threshold established by Finance;
- when a significant change in state policy draws into question the assumptions underlying the project; or
- any conditions occur that require reporting to Finance, as previously imposed by Finance.

Each proposal to modify an IT project must be reported to Finance using the SPR as defined in SIMM Section 30. The SPRs for reportable projects must be submitted to Finance. Finance will issue its decisions on the project proposal in writing to the department. No encumbrance or expenditure of funds shall be made to implement an alternative course of action until approval has been received from Finance or the agency director, as appropriate. SPRs which must be submitted to Finance should be transmitted within 30 days after recognition of a substantial deviation. Two copies must be submitted to Finance and one copy submitted to the Office of the Legislative Analyst.

Finance will review each SPR placing emphasis on the following elements of the proposal:

1) the summary of the project's current status;
2) the description of the problem prompting this request for change;
3) the description of the proposed modifications to solve the problem;
4) the description of the impact to *all* benefits including programmatic benefits (tangible and intangible) to be achieved by meeting any new objectives, revenue generation, savings, and cost avoidances;
5) any *feasible* alternatives considered;
6) the description of the changes to the previously approved solution which includes the analytical basis as to why the selected solution best meets the problem/opportunity and the associated assumptions/constraints;
7) the description, or visual representation with appropriate narrative, of the business process upon implementation of the revised solution;
8) the detailed description of the current cost of any existing system that this proposal will be replacing or modifying to support programmatic functions;
9) the revised detailed description of the proposed costs and financial benefits by fiscal year for each year of the project;
10) the appropriateness/accuracy of revised proposed funding by fiscal year for each year of the project;
11) the revised project schedule including the schedule for realization of benefits; and
12) the revised project phase plan if appropriate; and
13) the revised Project Evaluation Plan, if necessary.

Request for Exemption from Reporting:

Finance may consider delegated approval authority for expenditures associated with IT proposals that meet one or more of the **Criteria for Reporting** as described above. Each request will be evaluated on a case-by-case basis.

Exempting a department from reporting to Finance does not eliminate the requirement for preparing an FSR. The department director and budget officer must approve the FSR in lieu of Finance approvals. The department is responsible for maintaining documentation supporting the departmental decisions relative to the proposal. Documentation in support of internally approved proposals should be commensurate with the nature, scope, complexity, risk, and expected cost of the proposal. The documentation requirements are contained in SIMM.

Each request for reporting exemption must be documented using the FSR Reporting Exemption Request as defined in SIMM Section 40. Each department must transmit its FSR Reporting Exemption Request to Finance.

Finance will review each request placing emphasis on the following elements of the proposal:

1) the current business process which is the subject of this proposal;
2) the problem or opportunity prompting this request;
3) the business objectives which will solve the problem or realize the opportunity;
4) the *probable* benefits including the programmatic benefits to be achieved by meeting the objectives (tangible and intangible), revenue generation, savings, and cost avoidances;
5) the current operations and maintenance cost of any existing system that this proposal will be replacing or modifying to support programmatic functions;
6) the *probable* total proposed cost for development (one-time costs) and what these costs represent (i.e., personnel, hardware, software, interagency agreements, contracts, etc.);
7) the estimated time required to complete the development/implementation effort in days, months, or years;
8) the *estimated* annual cost of operations/maintenance; and
9) each funding source and the amount of funds anticipated to be allocated for this activity.

If the reporting exemption is not granted, the department must submit the FSR to Finance for review and approval prior to initiating the project.

Alternative Procurement

Alternative Procurement proposals are a special category of IT proposals that use a non-traditional procurement method to solve a business problem (see SAM Section 5215). These proposals are used when it is determined that the department's needs may be better met through the use of different procurement techniques within a competitive framework. These proposals must be reported to Finance as defined under the **New Information Technology Investments** section, above.

Completed Information Technology Activities

The requirements for concluding project reporting through Post Implementation Evaluation Reports (PIERS) are described in policy statements contained in State Administrative Manual (SAM) Section 4947.

Following the completion or conclusion of the development activity for each Finance approved IT proposal, the department must conduct a post implementation assessment which:

1) follows the evaluation process described in the approved project document or as described in the approved Project Evaluation Plan, if applicable.
2) provides a brief summary of the history, objectives and results of the proposal from a business perspective; measures the benefits and costs of the newly-implemented technology solution against the most recently approved project estimates; and
3) documents the annual operations and maintenance costs.

The current Post Implementation Evaluation Report (PIER) as defined in SIMM Section 50 meets the requirements for reporting post implementation assessments to Finance. The PIER is typically completed six months after implementation. The PIER must be completed within two years of project implementation. Two copies of the PIER must be submitted to Finance and one copy submitted to the Office of the Legislative Analyst.